OPEN MEMORANDUM

TO: THE COMMISSION

FROM: Utilities Division

DATE: June 11, 2010

RE: COLUMBUS ELECTRIC COOPERATIVE, INC - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01851A-10-0101)

Background

On March 22, 2010, Columbus Electric Cooperative, Inc. ("Columbus", "CEC", or "Co-op") filed an application for approval of a Net Metering Tariff. CEC's proposed Schedule ANM is meant to comply with the Net Metering Rules which became effective May 23, 2009.

Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Proposed Tariff

Columbus' proposed tariff would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed tariff follows the Net Metering Rules with respect to metering, billing, and disposition of excess customer generation.

Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

Columbus' Schedule ANM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the customer's facilities are not generating. Charges under the tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service and thus avoid standby or back-up charges. Certain additional charges would be added as discussed below.

As the Net Metering Rules require, if the customer's energy production exceeds the energy supplied by the Co-op during a billing period, the customer's bill for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in the subsequent billing period for the on-peak or off-peak periods in which the kWh were generated by the customer.

Columbus' proposed tariff limits the eligibility for net metering to customers with generation resources less than 100 kW. This limitation is a direct result of Columbus' contractual obligation with its wholesale power supplier, Tri-State Generation and Transmission Association, Inc. ("Tri-State"). Tri-State is a wholesale power supply cooperative that serves customer co-ops in Colorado, New Mexico, Nebraska and Wyoming. Columbus' contract with Tri-State requires Columbus to purchase at least 95 percent of its power from Tri-State with the remaining 5 percent coming from distributed or renewable sources owned or controlled by Columbus. The contract provides for the Tri-State Board of Directors to issue a Policy on how to implement the 5 percent option. Although the Board of Directors Policy of September 4, 2008, does not directly address net metering, it requires that individual generators greater than 25 kW (net energy to the grid) be subject to a Generation Contract between the generator, Columbus and Tri-State. Limiting generation purchases to 25 kW helps the distribution cooperatives to not exceed the 5 percent limit. However, Columbus would not be purchasing the entire output of a net metering facility since generated kWh's not used by a customer in a particular month are rolled over to subsequent months with an annual true-up. Columbus has determined that it could allow net metering facilities up to 100 kW because Columbus only buys excess energy at the time of the annual true-up, and that amount will be considerably less than the total generator output.

Columbus Electric Cooperative, Inc. serves approximately 5,133 customers in southwestern New Mexico and southeastern Arizona. There are approximately 471 customers located in Arizona comprised of 415 residential, 34 commercial/industrial and 22 irrigation customers. All Columbus customers reportedly have loads less than 100 kW, except for two irrigation customers. Columbus states that it does not foresee either of these large irrigation customers being interested in the net metering option.

Based on the size of customer loads and the magnitude of anticipated net energy that would likely be fed to the grid by net metered customers, Staff recommends that the proposed tariff's limit on eligibility be approved at 100 kW. Any customer that intends to supply a net amount of energy to the grid in excess of 100kW has the ability to do so via a Generation Contract with Columbus/Tri-State that would be subject to Commission approval.

Proposed Metering Charge

Columbus would install a bi-directional meter at the point of delivery to the customer. In its Net Metering Tariff filing, Columbus proposes that the incremental cost of providing and installing a meter capable of meeting the Net Metering requirements would be paid by the customer through a monthly fee. The proposed incremental cost of the meter together with the labor required for meter installation and software programming of the meters is $342.27 for a single-phase meter and $605.97 for a three-phase meter. Columbus would collect these additional costs via a monthly meter charge set at $6.51 per month per single-phase meter and $11.26 per month per three-phase meter. This amortization assumes a cost of money at 7 percent, and a 5-year life. Staff recommends that only the incremental cost of the bi-directional meters and the software cost be included in the meter charge using a 15-year amortization period. Therefore, Staff recommends the monthly metering charges be set at $0.89 per month per single-phase meter and $2.35 per month per three-phase meter, and that the charge not be modified without Commission approval.

Staff has considered the proposed equipment charge[s] in terms of fair value implications. In Decision No. 63986, issued on August 31, 2001, the Commission determined the fair value of Columbus' Arizona property to be $675,481. According to the Co-op's current rate case, Docket No. E-01851A-09-0305, Staff has recommended that the estimated value of Columbus' Arizona plant is $3,195,508. Although Staff considered this information, the proposed equipment charges on Schedule ANM would have no significant impact on the Company's revenue, fair value rate base, or rate of return, because these charges are cost-based and relatively limited in scope.

Proposed Avoided Cost

Under Columbus' proposed tariff, each January (or for a customer's final bill upon discontinuance of service), Columbus would credit the customer for the balance of excess kWh remaining. Columbus requests that this true-up period be in January to comport with the true-up period utilized for the Co-op's New Mexico customers. However, Staff recommends that the once per year "true-up" occur in September to reflect the typical seasonal peak power consumption of the summer months.

The payment for the purchase of the excess kWh would be at Columbus' annual average avoided cost. Columbus' annual average avoided cost would be defined as the average wholesale energy cost per kWh charged by the Co-op's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the July wholesale power bills. This cost would be updated each January 1. Columbus has indicated that the current avoided cost is 2.735¢ per kWh. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that Columbus specify this avoided cost rate of 2.735¢ per kWh in its tariff.

Staff Recommendations

Staff recommends that Columbus's Net Metering Tariff Schedule ANM be approved by the Commission as amended herein.

Staff also recommends that Columbus be ordered to file a revised Net Metering Tariff Schedule ANM in compliance with the Decision in this case within 15 days of the effective date of the Decision.

Steven M. Olea
Director
Utilities Division

SMO:RBL:red\CH

ORIGINATOR: Richard B. Lloyd

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF COLUMBUS ELECTRIC COOPERATIVE, INC.'S APPLICATION FOR APPROVAL OF A NET METERING TARIFF	DOCKET NO. E-01851A-10-0101 DECISION NO. __________ ORDER

Open Meeting
June 29 and 30, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Columbus Electric Cooperative, Inc. ("Columbus", "CEC", or "Co-op") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On March 22, 2010, Columbus filed an application for approval of a Net Metering Tariff. Columbus' proposed Schedule ANM is meant to comply with the Net Metering Rules which became effective May 23, 2009.

3. Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

4. Columbus Electric Cooperative, Inc. serves approximately 5,133 customers in southwestern New Mexico and southeastern Arizona. Approximately 471 customers are located in Arizona and they are comprised of 415 residential, 34 commercial/industrial and 22 irrigation

customers. Pursuant to A.A.C. R14-2-1801(A), the Co-op is ~~not an affected utility~~ subject to the Renewable Energy Standard and Tariff ("REST").

Proposed Tariff

5. Columbus' proposed tariff would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed tariff follows the Net Metering Rules with respect to metering, billing, and disposition of excess customer generation.

6. Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

7. Columbus' Schedule ANM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the customer's facilities are not generating. Charges under the tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service and thus avoid standby or back-up charges. Certain additional charges would be added as discussed below.

8. As the Net Metering Rules require, if the customer's energy production exceeds the energy supplied by the Co-op during a billing period, the customer's bill for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in the subsequent billing period for the on-peak or off-peak periods in which the kWh were generated by the customer.

9. Columbus' proposed tariff limits the eligibility for net metering to customers with generation resources less than 100 kW. This limitation is a direct result of Columbus' contractual obligation with its wholesale power supplier, Tri-State Generation and Transmission Association,

Inc. ("Tri-State"). Tri-State is a wholesale power supply cooperative that serves customer co-ops in Colorado, New Mexico, Nebraska and Wyoming. Columbus' contract with Tri-State requires Columbus to purchase at least 95 percent of its power from Tri-State with the remaining 5 percent coming from distributed or renewable sources owned or controlled by Columbus. The contract provides for the Tri-State Board of Directors to issue a Policy on how to implement the 5 percent option. Although the Board of Directors Policy of September 4, 2008, does not directly address net metering, it requires that individual generators greater than 25 kW (net energy to the grid) be subject to a Generation Contract between the generator, Columbus and Tri-State. Limiting generation purchases to 25 kW helps the distribution cooperatives to not exceed the 5 percent limit. However, Columbus would not be purchasing the entire output of a net metering facility since generated kWh's not used by a customer in a particular month are rolled over to subsequent months with an annual true-up. Columbus has determined that it could allow net metering facilities up to 100 kW because Columbus only buys excess energy at the time of the annual true-up, and that amount will be considerably less than the total generator output.

10. All Columbus customers reportedly have loads less than 100 kW, except for two irrigation customers. Columbus states that it does not foresee either of these large irrigation customers being interested in the net metering option.

11. As noted previously, Columbus is not subject to meeting the REST requirements as it is not considered an affected utility under the REST rules. Based on the size of customer loads and the magnitude of anticipated net energy that would likely be fed to the grid by net metered customers, Staff recommends that the proposed tariff's limit on eligibility be approved at 100 kW. Any customer that intends to supply a net amount of energy to the grid in excess of 100 kW has the ability to do so via a Generation Contract with Columbus/Tri-State.

Proposed Metering Charge

12. Columbus would install a bi-directional meter at the point of delivery to the customer. In its Net Metering Tariff filing, Columbus proposes that the incremental cost of providing and installing a meter capable of meeting the Net Metering requirements would be paid by the customer through a monthly fee. The proposed incremental cost of the meter together with

the labor required for meter installation and software programming of the meters is $342.27 for a single-phase meter and $605.97 for a three-phase meter. Columbus would collect these additional costs via a monthly meter charge set at $6.51 per month per single-phase meter and $11.26 per month per three-phase meter. This amortization assumes a cost of money at 7 percent, and a 5-year life. Staff has recommended that only the incremental cost of the bi-directional meters and the software cost be included in the meter charge using a 15-year amortization period. Therefore, Staff has recommended the monthly metering charges be set at $0.89 per month per single-phase meter and $2.35 per month per three-phase meter, and that the charge not be modified without Commission approval.

13. Staff has considered the proposed equipment charge[s] in terms of fair value implications. In Decision No. 63986, issued on August 31, 2001, the Commission determined the fair value of Columbus' Arizona property to be $675,481. According to the Co-op's current rate case, Docket No. E-01851A-09-0305, Staff has recommended that the estimated value of Columbus' Arizona plant is $3,195,508. Although Staff considered this information, the proposed equipment charges on Schedule ANM would have no significant impact on the Company's revenue, fair value rate base, or rate of return, because these charges are cost-based and relatively limited in scope.

Proposed Avoided Cost

14. Under Columbus' proposed tariff, each January (or for a customer's final bill upon discontinuance of service), Columbus would credit the customer for the balance of excess kWh remaining. Columbus requests that this true-up period be in January to comport with the true-up period utilized for the Co-op's New Mexico customers. However, Staff recommends that the once per year "true-up" occur in September to reflect the typical seasonal peak power consumption of the summer months.

15. The payment for the purchase of the excess kWh would be at Columbus' annual average avoided cost. Columbus' annual average avoided cost would be defined as the average wholesale energy cost per kWh charged by the Co-op's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the July wholesale power bills. This cost would

be updated each January 1. Columbus has indicated that the current avoided cost is 2.735¢ per kWh. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that Columbus specify this avoided cost rate of 2.735¢ per kWh in its tariff.

Recommendations

1. Staff has recommended that Columbus Electric Cooperative's Net Metering Tariff Schedule ANM be approved by the Commission as amended herein.

2. Staff has also recommended that Columbus be ordered to file a revised Net Metering Tariff Schedule ANM in compliance with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. Columbus is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Columbus and over the subject matter of the application.

3. Approval of Schedule ANM does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated June 11, 2010, concludes that Schedule ANM should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Columbus Electric Cooperative, Inc.'s Net Metering Tariff Schedule ANM be approved by the Commission as discussed herein.

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IT IS FURTHER ORDERED that Columbus Electric Cooperative, Inc. shall file a revised Net Metering Tariff Schedule ANM in compliance with this Decision within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of ____________________ , 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: ____________________________

DISSENT: ____________________________

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DOCKET NO. E-01851A-10-0101

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